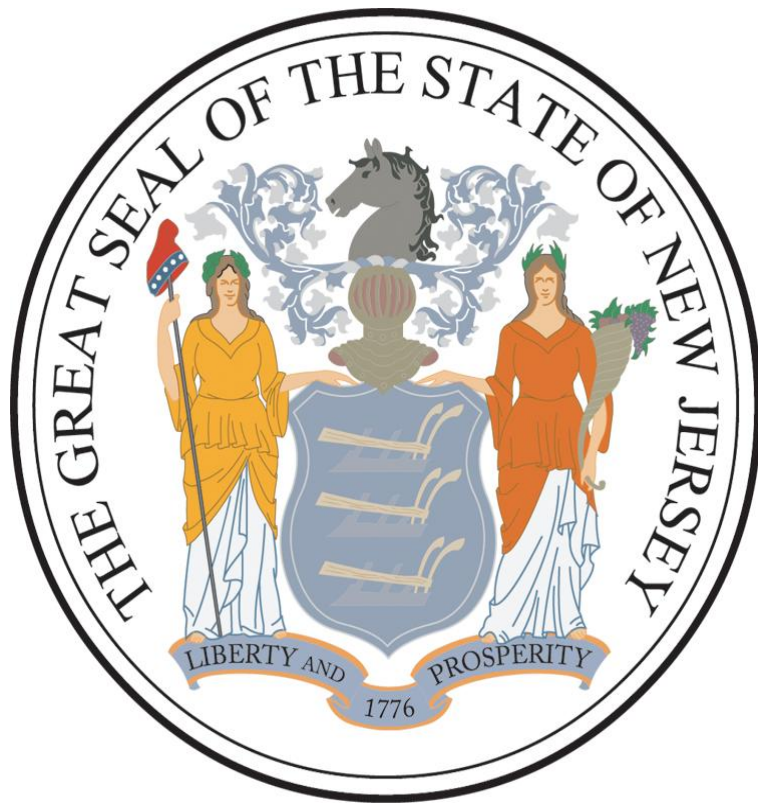


FY 2012 Budget



Governor Christie's FY 2012 Budget



Funding for Core Priorities and Tax Relief Depends on Making Tough Choices

Building Blocks for the FY 2012 Budget

Fund Core Priorities

Increase education aid \$250 million

Fulfill statutory commitment to fund pensions

Preserve municipal aid

Increase /reform hospital funding

Preserve support for higher education

Increase student financial aid

Fund critical infrastructure projects

First State Police class in two years

Protect natural resources

Provide Tax Relief

Increase Homestead property tax relief

Provide responsible and sustainable pro-growth business tax reform

Enhance Government Performance

Consolidate operations

Invest in IT infrastructure

Privatization

Best Practices for local government

Performance budgeting

Protect The Most Vulnerable

Preserve senior and disabled prescription aid

Avoid fare increases and support expanded NJ Transit bus service

Keep 4,300 low-income citizens in their homes and apartments

Expand residential and community mental health settings

Increase community placements for the developmentally disabled

Make Tough Choices

Reform public pensions and health benefits

Global waiver to reform Medicaid

Restructure General Assistance

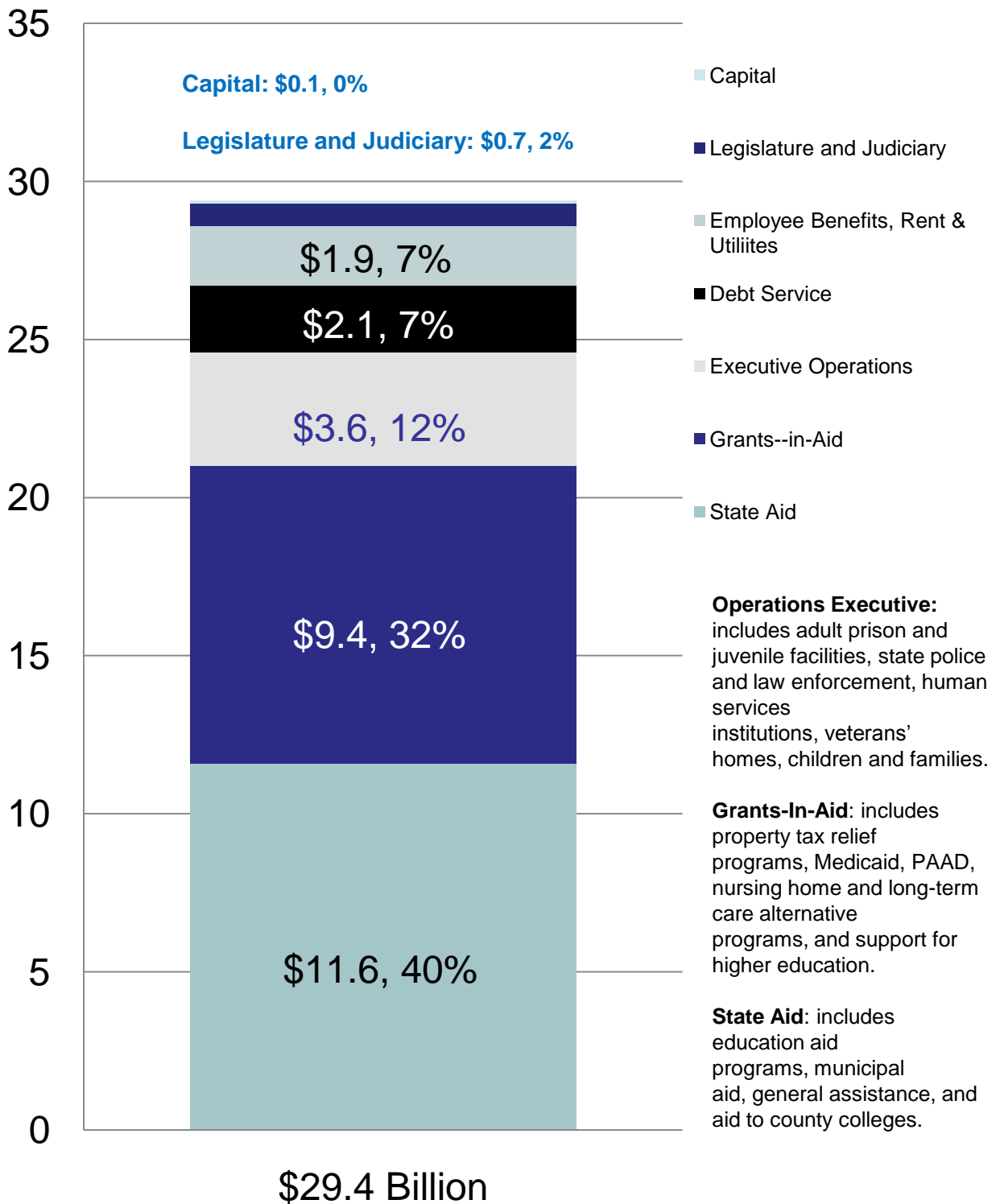
Reduce nursing home rate payments

Phase out DCF residential treatment centers

Eliminate new funding for Urban Enterprise Zones

Funding for Core Priorities and Tax Relief Depends on Making Tough Choices

Building the FY 2012 Budget



State Government Operations: \$6.2 Billion (21%)

The FY 2012 Budget

(In Millions)

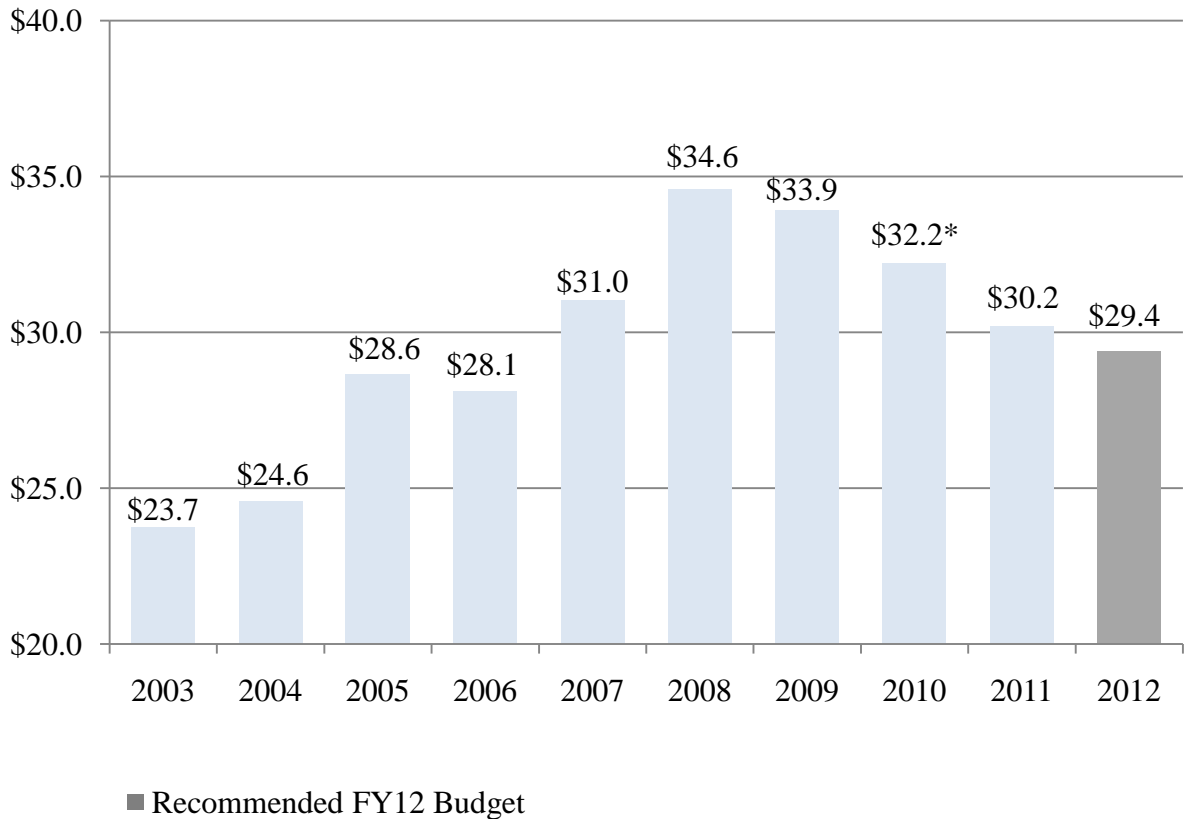
	FY 2011 Adjusted Approp.	FY 2012 Budget	Change	
			\$	%
Opening Surplus	\$ 804	\$ 349	\$ (455)	(56.6) %
Revenues				
Income	10,076	10,528	452	4.5
Sales	7,775	8,078	303	3.9
Corporate	2,320	2,430	110	4.7
Other	8,091	8,338	247	3.1
Total Revenues	\$ 28,262	\$ 29,374	\$ 1,112	3.9 %
ARRA Resources*	\$ 876	\$ -	\$ (876)	(100.0) %
Lapses	605	-		
Total Resources	\$ 30,547	\$ 29,723	\$ (824)	(2.7) %
Appropriations				
Original Including ARRA Funding	\$ 29,240	\$ 29,420	\$ 180	0.6 %
Supplemental	452	-		
Pension Contribution	506	-		
Total Appropriations	\$ 30,198	\$ 29,420	\$ (778)	(2.6) %
Target Fund Balance	\$ 349	\$ 303	\$ (46)	(13.2) %

*Resources and appropriations used for budget relief that otherwise would have needed a State Appropriation

A 2.6% Reduction in Year Over Year Spending

State Budget For Past Ten Years

(In Billions)



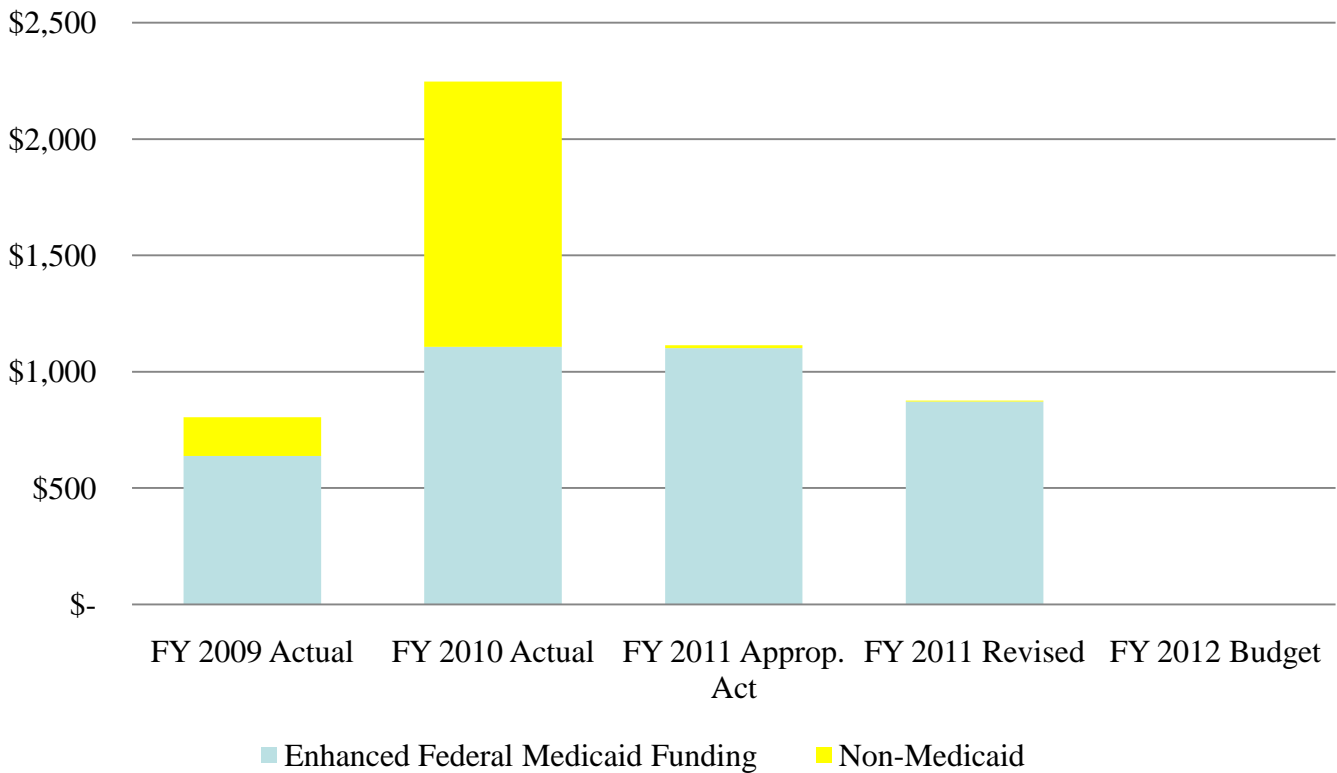
FY2009-2011 included federal stimulus funds that replaced State funding.

*The FY 2010 Adjusted Appropriation is at the time of the FY 2011 Budget Recommendation

A Second Year of Fiscal Restraint Under Governor Christie

Federal Stimulus Funding

(In Millions)



The FY 2012 Budget Makes Up For The Loss of Almost \$1 Billion in Federal Stimulus Funding

Christie Pro-Growth Tax Reforms

	Fiscal Impact (\$ Millions)*				
	FY12	FY13	FY14	FY15	FY16
Gross Income Tax					
➤ 50% Phase-In Business Income/Loss Netting and Loss Carry-Forward Relief	\$23	\$67	\$117	\$167	\$200
Corporation Business Tax					
➤ Three-Year Phase-In Single Sales Factor	\$24	\$38.5	\$60.5	\$87.5	\$98
➤ Reduce S Corporation Minimum Tax 25%	\$13	\$23	\$23	\$23	\$23
➤ Exempt “Non-Exempt” Agricultural Cooperatives	\$0.15	\$0.3	\$0.3	\$0.3	\$0.3
➤ Increase R&D Credit to 100%	\$33	\$66	\$66	\$66	\$66
Sales and Use Tax					
➤ Exempt Installation and Support of Electronically Delivered Business Software	\$2.5	\$5	\$5	\$5	\$5
Estate Tax					
➤ Raise Exemption to \$1 Million	\$11.5	\$23	\$23	\$23	\$23
Economic Development					
➤ Allow the Technology Business Tax Certificate Transfer Program to be allocated \$60 million instead of the FY11 amount of \$30 million	\$30	\$30	\$30	\$30	\$30
Transitional Energy Facility Assessment					
➤ Phase-out over three years	\$62	\$123	\$245	\$245	\$245
Totals	\$199	\$376	\$570	\$647	\$690

Responsible, Sustainable Tax Relief Within the Context of a Constitutionally-Balanced State Budget

FY 2012 Revenues

(In Millions)

	FY 2011	FY 2011	FY 2012	Change to	
	Approp. Act	Revised	Estimate*	Approp. Act	
	\$			\$	%
Income	\$ 9,855	\$ 10,076	\$ 10,528	\$ 673	6.8%
Sales	7,829	7,775	8,078	249	3.2
Corporate	2,145	2,320	2,430	285	13.3
Other**	<u>8,333</u>	<u>8,091</u>	<u>8,338</u>	<u>5</u>	0.0
Total	<u>\$ 28,162</u>	<u>\$ 28,262</u>	<u>\$ 29,374</u>	<u>\$ 1,212</u>	4.3%

* FY2012 Revenue Estimate includes \$200 million of tax cuts

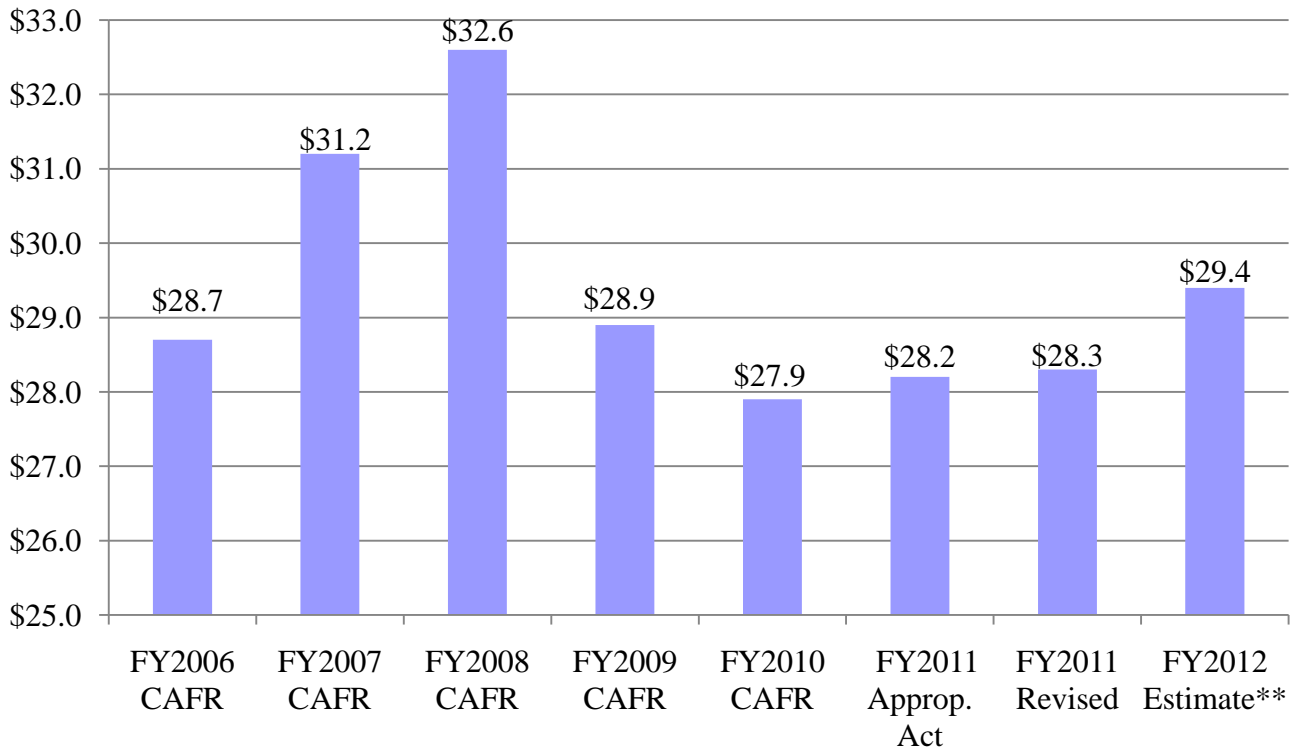
** All Sales Tax and Corporation Business Tax on Energy are included in Other

Recovery Brings Modest Growth Projected Tax Revenue, But...

History of Total Revenues

FY 2012 Approximates FY 2006*

(In Billions)



* Not including federal stimulus aid

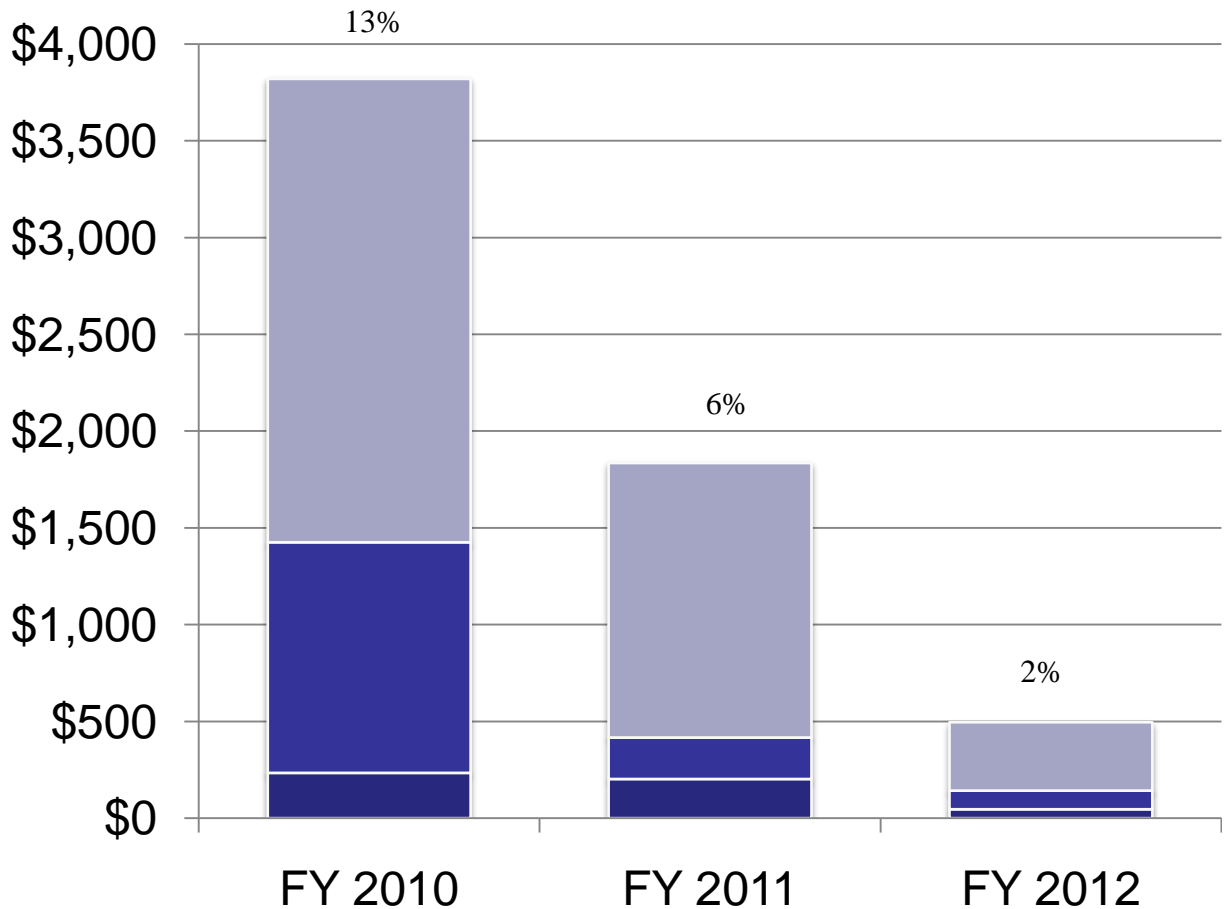
** FY2012 Estimate includes \$200 million of tax cuts

CAFR – Comprehensive Annual Financial Report

... Projected Revenue Falls Far Short of FY 2008 Levels

Reliance on Non-Recurring Resources Reduced From 13% to 2% FY 2010 to FY 2012

(In Millions)



- Spend Down Opening Surplus
- Revenue Related Initiatives
- Appropriation Related Offsets

Demonstrating a Commitment to Fiscal Sustainability

Appropriations Comparison

(In Thousands)

Department	FY 2011	FY 2012	Change	
	Adjusted Approp.	Budget	\$	%
Chief Executive	\$ 5,718	\$ 5,681	\$ (37)	(0.6) %
Agriculture	19,722	19,597	(125)	(0.6)
Banking and Insurance	61,320	62,970	1,650	2.7
Children & Families (a)	1,094,201	1,067,483	(26,718)	(2.4)
Community Affairs	736,529	724,875	(11,654)	(1.6)
Corrections	1,114,728	1,093,904	(20,824)	(1.9)
Education	10,690,619	10,269,187	(421,432)	(3.9)
Environmental Protection	392,274	353,671	(38,603)	(9.8)
Health & Senior Services (a)	1,495,999	1,269,473	(226,526)	(15.1)
Human Services (a)	5,480,003	5,303,300	(176,703)	(3.2)
Labor and Workforce Development	142,934	150,730	7,796	5.5
Law & Public Safety	560,408	555,367	(5,041)	(0.9)
Military & Veterans' Affairs	94,725	93,253	(1,472)	(1.6)
Public Advocate	-	-	-	
State	1,160,059	1,185,577	25,518	2.2
Transportation (b)	1,285,818	1,425,206	139,388	10.8
Treasury (c)	1,778,075	2,003,616	225,541	12.7
Miscellaneous Commissions	1,344	976	(368)	(27.4)
Total Executive Branch	\$ 26,114,476	\$ 25,584,866	\$ (529,610)	(2.0) %
Interdepartmental	3,343,305	3,096,186	(247,119)	(7.4) %
Legislature	77,309	75,476	(1,833)	(2.4) %
Judiciary	663,535	663,535	-	-
Total Appropriations	\$ 30,198,625	\$ 29,420,063	\$ (778,562)	(2.6) %

(a) The FY 2011 Adjusted Appropriations includes ARRA funding

(b) The FY 2012 Budget includes funding for the Transportation Capital Plan

(c) The FY 2012 Budget includes funding to increase the Homestead Benefit Program

Total Spending Down 2.6%; Nearly Every Agency is Reduced

School Aid

(In Millions)

	<u>FY 2011 Adjusted Approp.</u>	<u>FY 2012 Budget</u>	<u>Change</u>
State Aid to School Districts			
Formula Aid	\$ 7,452.3	\$ 7,670.7	\$ 218.4
Extraordinary Special Education Aid	155.0	162.7	7.7
School Choice Aid	9.8	22.3	12.4
Charter School Aid	8.5	13.1	4.6
School Building Aid	81.3	77.2	(4.0)
Debt Service Aid	56.1	58.1	1.9
Assessment of EDA Debt Service	(21.8)	(14.7)	7.1
Other Aid	130.7	131.8	1.1
Total State Aid to School Districts	\$ 7,871.9	\$ 8,121.2	\$ 249.3
Direct State Payments for Education			
Teachers' Pension and Annuity Fund *	\$ 347.7	\$ 35.6	\$ (312.1)
Post Retirement Medical	823.1	762.1	(61.0)
Debt Service on Pension Obligation Bonds	132.1	143.4	11.3
Teachers' Social Security	788.7	763.0	(25.7)
Total Direct State Payments for Education	\$ 2,091.6	\$ 1,704.1	\$ (387.5)
School Construction Debt Service	\$ 547.2	\$ 397.6	\$ (149.7)
Total School Aid	\$ 10,510.7	\$ 10,222.9	\$ (287.8)
Inter-year Accounting Adjustment - No Impact to School Districts	\$ 109.0	\$ (21.6)	\$ (130.6)
Total Impact to State Budget	\$ 10,619.7	\$ 10,201.3	\$ (418.4)

* FY 2011 Adjusted Appropriation includes \$311.6 million for the one seventh recommended pension contribution

Total Aid to School Districts Increased by \$250 Million

Municipal Aid

(In Millions)

	<u>FY 2011 Adjusted Approp.</u>	<u>FY 2012 Budget</u>	<u>Change</u>
Consolidated Municipal Property Tax Relief Aid (CMPTRA) / Energy Tax Receipts	\$ 1,293.9	\$ 1,293.9	\$ -
Transitional Aid to Localities	159.0	149.0	(10.0)
Open Space Payments In Lieu of Taxes (PILOT)	6.5	6.5	-
Highlands Protection Fund Aid	<u>4.4</u>	<u>4.4</u>	<u>-</u>
Total Municipal Aid	<u>\$ 1,463.8</u>	<u>\$ 1,453.8</u>	<u>\$ (10.0)</u>

Municipal Aid Preserved

Hospital Funding

(In Millions)

	FY 2011 Adjusted Approp.	FY 2012 Budget	Change
Charity Care	\$ 665.0	\$ 675.0	\$ 10.0
Health Care Stabilization Fund	30.0	30.0	-
Hospital Relief Offset Payments	191.3	191.3	-
Graduate Medical Education	60.0	90.0	30.0
.53% Hospital Assessment*	(38.7)	(58.7)	(20.0)
TOTAL	\$ 907.6	\$ 927.6	\$ 20.0

*Full year impact of FY 2011 Budget decision

Hospital Funding Increased By \$20 Million

Higher Education

(In Millions)

	FY 2011 Adjusted Approp.	FY 2012 Budget	Change
Senior Public Institutions			
Rutgers University	\$ 262.8	\$ 262.8	\$ -
UMDNJ	170.0	170.0	-
NJIT	37.7	37.7	-
Thomas Edison State College	1.8	1.8	-
Rowan University	46.4	46.4	-
New Jersey City University	26.1	26.1	-
Kean University	32.8	32.8	-
William Paterson University	32.7	32.7	-
Montclair State University	38.6	38.6	-
College of New Jersey	29.3	29.3	-
Ramapo College of New Jersey	16.1	16.1	-
Richard Stockton College of New Jersey	19.8	19.8	-
Subtotal Senior Publics Direct Aid	\$ 714.1	\$ 714.1	\$ -
Senior Publics Salary Funding	-	-	-
Senior Publics Net Fringe Benefits ^(a)	733.3	621.7	(111.6)
Total Senior Publics	\$ 1,447.4	\$ 1,335.8	\$ (111.6)
County Colleges			
Operating Support ^(b)	\$ 134.8	\$ 134.8	\$ -
Fringe Benefits ^(c)	38.6	37.0	(1.6)
Chapter 12 Debt Service	34.2	32.2	(2.0)
Total County Colleges	\$ 207.6	\$ 204.0	\$ (3.6)
Student Financial Assistance			
Tuition Aid Grants (TAG)	\$ 294.3	\$ 319.5	\$ 25.2
Part-time TAG for County Colleges	9.6	11.7	2.1
NJSTARS I & II	21.1	16.4	(4.7)
EOF Grants and Scholarships	38.9	38.7	(0.2)
Other Student Aid Programs	8.6	5.8	(2.8)
Total Student Financial Assistance	\$ 372.5	\$ 392.1	\$ 19.6
Other Programs			
Capital Grants and Facilities Support ^(d)	\$ 72.7	\$ 51.3	\$ (21.4)
All Other Programs	5.0	4.2	(0.8)
Total Other Programs	\$ 77.7	\$ 55.5	\$ (22.2)
Grand Total Higher Education	\$ 2,105.2	\$ 1,987.4	\$ (117.8)

(a) FY 2011 Adjusted Appropriation includes \$12.4 million for the one-seventh recommended pension contribution

(b) Includes funding from Supplemental Workforce Fund for Basic Skills of \$14.5 million in both FY 2011 and FY 2012

(c) FY 2011 Adjusted Appropriation includes \$75,000 for the one-seventh recommended pension contribution

(d) Includes use of off-budget fund balances totaling \$8 million in FY 2012

Higher Education Protected; TAG Increased \$27.3 Million

Direct Property Tax Relief

(In Millions)

	FY 2011 Adjusted Approp.	FY 2012 Budget	Change
Homestead Benefit Program	\$ 268.2	\$ 458.0	\$ 189.8
Property Tax Deduction Act	334.4	354.8	20.4
Senior/Disabled Citizens' Property Tax Freeze	165.6	140.4	(25.2)
Municipal Reimbursement - Veterans' Tax Deductions	65.5	63.6	(1.9)
Municipal Reimbursement - Senior/Disabled Citizens' Tax Deductions	<u>18.0</u>	<u>17.3</u>	<u>(0.7)</u>
Total Direct Property Tax Relief	<u>\$ 851.7</u>	<u>\$ 1,034.1</u>	<u>\$ 182.4</u>

\$458 Million to Increase Homestead Tax Relief

FY 2012 Budget Summary

Fiscal Stewardship

- ✓ 2.6% reduction in total spending
 - Two years of reduced spending
 - Two years of lower taxes
- ✓ Reduced reliance on one-shot revenues
- ✓ Statutory pension obligations met
- ✓ Defining The New Normal

Core Budget Priorities

- ✓ Education: \$250 million in additional school aid
- ✓ Municipal Aid protected
- ✓ Higher Ed Aid preserved
- ✓ TAG increased \$27 million
- ✓ Hospital funding increased \$20 million
- ✓ Financing for the Transportation Capital Plan

Tax Relief for NJ's Families and Businesses

- ✓ Homestead Benefit increased
- ✓ \$200 million in responsible, sustainable tax cuts to make New Jersey more competitive

Thank You!